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C O N F I D E N T I A L SECTION 01 OF 02 RANGOON 000769

SIPDIS

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E.O. 12958: DECL: 06/25/2013

TAGS: [ETRD](#) [EFIN](#) [ECON](#) [BM](#)

SUBJECT: LOCAL REACTION MIXED ON NEW BURMA SANCTIONS

REF: RANGOON 4

Classified By: COM CARMEN MARTINEZ FOR REASONS 1.5 (B,D)

11. (C) Summary: The Embassy has received much solicited and unsolicited reaction to the impending U.S. sanctions. We've heard from foreign diplomats, businessmen, resident U.S. citizens, some NLD members, and GOB economic officials. Generally people understand our motives, but are very skeptical that our choice of action will prove effective. Even the bureaucrats seem resigned to the inevitable punishment. The NLD members with whom we spoke support the U.S. efforts, though they agree that sanctions imposed without the support of ASEAN or China would not be enough to force this regime to change its mind on political reforms. As for American citizens, the two most specific concerns come from long-term residents, concerned about their ability to continue living and working here, and from U.S. exporters with containers on the docks who are unsure whether they should give the order to load. End summary.

#### The Diplomats

12. (SBU) Both the Korean and French commercial attaches requested meetings to discuss pending U.S. trade sanctions. The Korean attache raised his concerns about the likely fate of around 40 Korean investors who are running garment factories. Garments make up a very large portion of Burmese exports to the United States. He told us that most of these investors would have to pack up and try to move on should the U.S. market become inaccessible to them. He said, though, that the larger Korean investors (such as Daewoo, which has a joint venture garment factory with the Union of Myanmar Economic Holdings, Ltd.) would likely remain in Burma, attempting to sell more to the European market.

13. (SBU) The French attache was not critical of the new possible sanctions, admitting that his government too was considering (in the EU context) additional measures. Both he and his Korean colleague understood the reasons the United States wanted to take action. However, they both questioned whether the import ban could damage the government when the vast majority of garment sector factories and output is in private sector hands. (This is a fact, reported in reftel, we've noticed various editorials and NGO press statements seem to misunderstand.) Both pointed out that the import ban would lead to factory closures and unemployment at a time of pre-existing economic hardship.

#### The Businesspeople

14. (SBU) Garment factory owners are understandably frightened by the likely import ban. They repeated their oft-heard refrain that the garment industry contributes very little to government coffers, employs about 100,000 workers (mostly women), and is nearly 100 percent private sector. However, they understand that the root of their problems was not U.S. sanctions, but inept GOB economic policies. Other exporters of products to the United States (a fishery owner and a timber merchant) said they are not really concerned about the ban, as their major markets are elsewhere, but scoffed at the notion that the new sanctions would have even a psychological effect on the country's policymakers.

#### The US Citizens

15. (SBU) The economic and consular sections have been getting a steady stream of calls from U.S. citizens concerned about the impact of the pending import ban, and the possibility of a travel ban. In both sections these inquiries have followed a familiar thread: What are the details of the new sanctions? Will it hurt my business/ability to travel to, or live in, Burma? As these measures will have no impact on the regime, why is the U.S. government imposing them?

16. (SBU) The two most specific concerns come from long-term American residents in Burma, concerned about their ability to continue living and working here, and from U.S. exporters with containers on the docks who are unsure whether they should give the order to load. This latter group fears that the sanctions will come into effect while their shipment is

en route, and Customs in the United States won't accept any grandfathering. When more details are available on these two topics, we plan to put out a bulletin to U.S. citizens in Burma and hold a town meeting to try and address their concerns.

#### The Opposition

17. (C) We had a chance to brief a few of the remaining free mid-level NLD officials on the proposed U.S. sanctions. Those with whom we spoke have little economic background, but understand sanctions and their use as a policy tool. They were quite supportive of sanctions as a gesture of U.S. displeasure with the SPDC and its recent actions. The officials opined that the psychological impact on the regime would outweigh the comparatively minor economic damage and unemployment (100,000 workers out of a workforce of roughly 10-20 million) that would be caused by the new sanctions. The NLD members support the U.S. efforts, though they agreed that sanctions imposed without the support of ASEAN or China would not be enough to force this regime to change its mind on political reforms.

#### The Government

18. (C) We also discussed impending sanctions with officials of one of the state-owned trade banks, and of the GOB-affiliated Union of Myanmar Federation of Chambers of Commerce and Industry (UMFCCI). The UMFCCI official, representing Burmese private sector interests, told us he and most of the UMFCCI membership understood the motivation for sanctions, and who was really to blame for Burma's dismal business climate. He quizzed us carefully on what, if anything, could stop the rush toward an import ban. We told him that at this point, nothing short of a significant and irreversible step toward political transition (i.e., more than just the release of ASSK) would change the direction of U.S. policy. We advised him to use UMFCCI's limited, but existent, lobbying power with the SPDC to try and convince the regime to take these steps if it wanted a chance to stave off the new sanctions.

19. (C) The banker asked for an explanation of all of the pending sanctions, but did not seem surprised at our actions. He asked us to keep him apprised of the changing situation, particularly as regards the asset freeze, as the two state-owned foreign trade banks (Myanmar Foreign Trade Bank and Myanmar Investment and Commercial Bank) both have some assets remaining in accounts at their U.S. correspondent banks. He said that the bank had not noticed any slowdown in the number of Letters of Credit requests at the bank, but that he'd heard several bank customers complaining of canceled export orders from the United States and Europe.

Martinez